

# INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through June 30, 2021

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr	3Yr*	5 Yr*	7 Yr*	10 Yr*
<b>Equity</b>	40,816,497	67.5%	65.0%	+2.5%	6.3	45.5	14.2	15.3	10.6	10.5
<b>Fixed Income</b>	13,797,296	22.8%	25.0%	-2.2%	1.6	4.8	4.5	3.9	2.9	4.5
<b>Real Assets/Real Return</b>	5,143,489	8.5%	10.0%	-1.5%	6.1	29.0	--	--	--	--
<b>Cash</b>	720,421	1.2%	0.0%	+1.2%	0.0	0.1	1.5	--	--	--
<b>Total Fund w/o Student Investment</b>	<b>60,477,703</b>	--	--	--	<b>5.1</b>	<b>31.6</b>	<b>10.7</b>	<b>11.6</b>	<b>7.9</b>	<b>8.6</b>
Student Investment Equity	1,141,952	81.2%	75.0%	+6.2%	8.8	33.3	13.8	13.8	10.1	10.6
Student Investment Fixed	265,204	18.8%	25.0%	-6.2%	2.2	0.2	4.6	4.9	3.9	3.9
<b>Total Investment Fund</b>	<b>61,884,860</b>				<b>5.2</b>	<b>31.4</b>	<b>10.7</b>	<b>11.6</b>	<b>7.9</b>	<b>8.6</b>

Totals may not sum due to rounding. All performance is net of (after) investment manager fees \*annualized for periods longer than one year

## Market Summary in Q2 2021:

- Vaccines have been rolled out at a tremendous pace in the US and UK, while the EU and Japan have seen an improving pace of vaccinations. This has allowed broad re-openings to begin in much of the developed world, driving a mini-boom of activity as pent up demand is released. Global equities continued to move higher in Q2, with the MSCI AC World Index gaining 7.4%. All major US stock indices reached record highs, fueled by strong corporate results, robust economic growth, and ongoing supportive policies from both the federal government and Federal Reserve. Within US Equities, growth outperformed value among large and mid-caps, while value outperformed among small-cap stocks. Small-caps underperformed large-caps during the quarter. The quality factor outperformed in Q2, while value, momentum and size lagged. The real estate, technology, energy, and communication services sectors posted the best results for the quarter.
- The Bloomberg Barclays Aggregate gained 1.8% during Q2 with corporate bonds outperforming Treasuries as credit spreads declined. The yield curve flattened during the quarter, with 3-month yields rising 2 bps, while 10- and 30-year yields fell by 29 bps and 35 bps, respectively. Investment-grade corporate bond spreads fell an average of 10 bps during the quarter to 0.8%, which is roughly 30 bps below the long-term median level. High yield bonds gained 2.7% during the quarter. The Fed held rates unchanged and maintained its bond buying program during the quarter, although the most recent FOMC minutes and dot plot suggest a less dovish Fed. The dot plot now projects two rate increases in 2023, and the tapering of asset purchases is expected to be discussed in upcoming meetings.
- REITs outperformed the broader market in Q2 and year-to-date. REITs have benefited from a faster than expected pace of vaccinations, which has allowed some developed economies to reduce restrictions. Master Limited Partnerships (MLPs), natural resource stocks, and commodities all posted strong gains during Q2 as oil gained 24.2% amid economic re-openings and higher inflation expectations. The Dow Jones Brookfield Global Infrastructure Index ended the quarter up +5.3% with infrastructure stocks generally lagging the broader market.

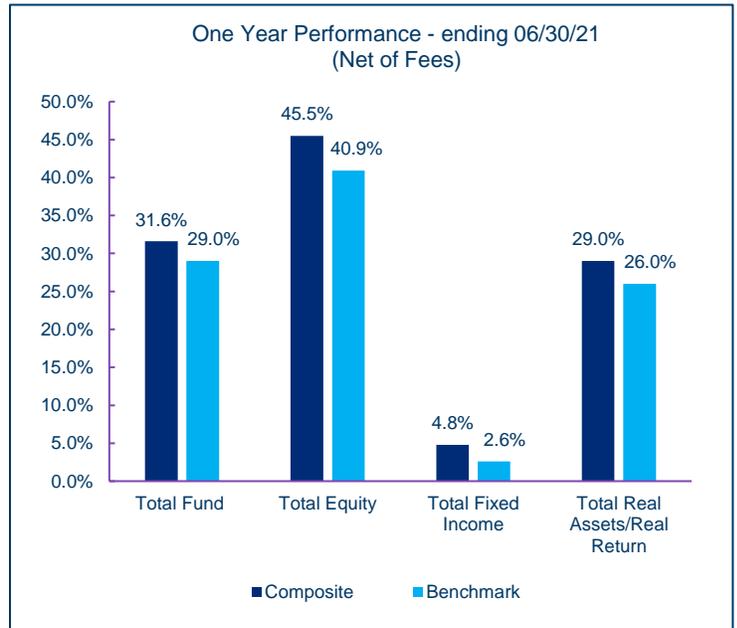
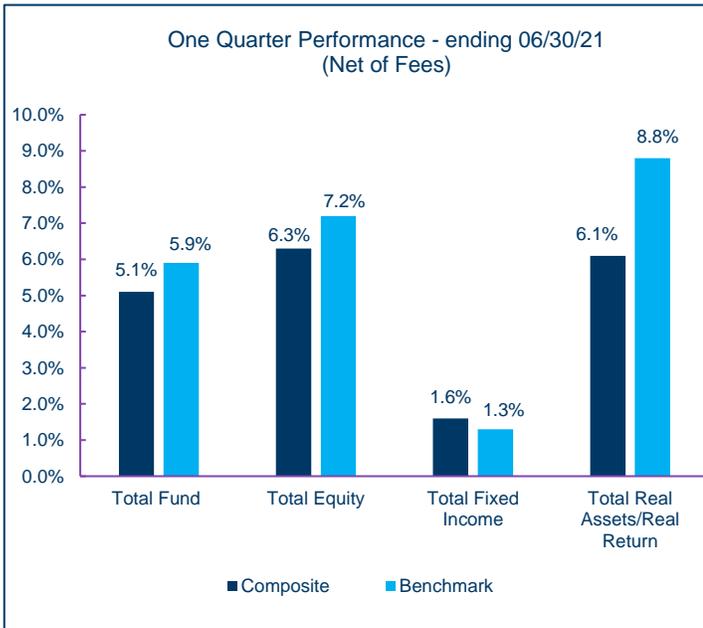
## Portfolio Update:

- The **Total Equity Composite** returned +6.3% during the quarter, as vaccinations and further re-openings led risk assets higher. On a relative basis, the composite underperformed. Emerging Markets manager, RBC, and Global Value manager, Causeway, weighed on relative returns.
- The **Total Fixed Income Composite** (+1.6%) posted strong absolute performance during the quarter and outperformed on a relative basis by +30 bps. Outperformance was driven by DoubleLine finishing the quarter up +1.9%, as the manager benefited from out of benchmark exposure to High Yield and non-agency CMBS.
- The **Total Real Assets/Real Return Composite** (+6.1%) posted strong results during the quarter, but trailed its benchmark by -270 bps. The strong performance from the policy benchmark's Commodity and REIT exposure was a difficult hurdle for Principal and PIMCO during the quarter.

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Through June 30, 2021



## Investment Philosophy & Process

### Purpose:

The purpose of the Investment portfolio is to provide for the Foundation's operating needs and to fund the Foundation's mission-related programs and activities both today and into the future.

The Foundation's objective is to grow the market value of assets net of inflation, administrative, and investment expenses, over a full market cycle without undue exposure to risk.

The Fund possesses a long-term time horizon, with primary objective to provide long-term growth of capital and liquidity. Secondary objectives are to provide a mix of growth and income and preservation of capital.

The Foundation and Investment Committee are governed by the Investment Policy Statement, reviewed at least annually by the Committee and Board. The Investment Policy Statement is a comprehensive document which incorporates best practices and outlines investment objectives, investment guidelines, and risk policy, as well as outlining responsibilities of the Board, Investment Committee, Staff, Investment Managers, and Consultants.

Pavilion, a Mercer Practice serves as investment consultant for the McCoy College of Business Foundation. For more information please visit their website <https://www.pavilion-notforprofit.com/>